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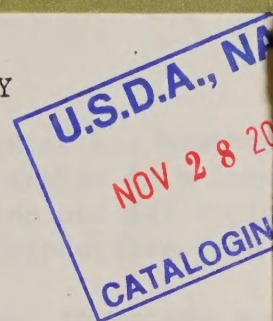
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PUBLIC FOOD POLICY

BY

CHARLES E. HANRAHAN



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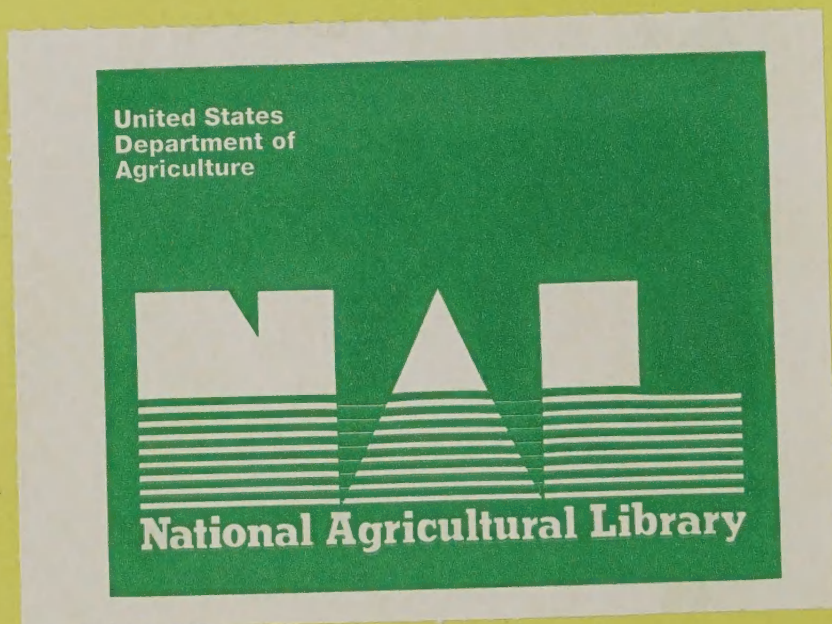
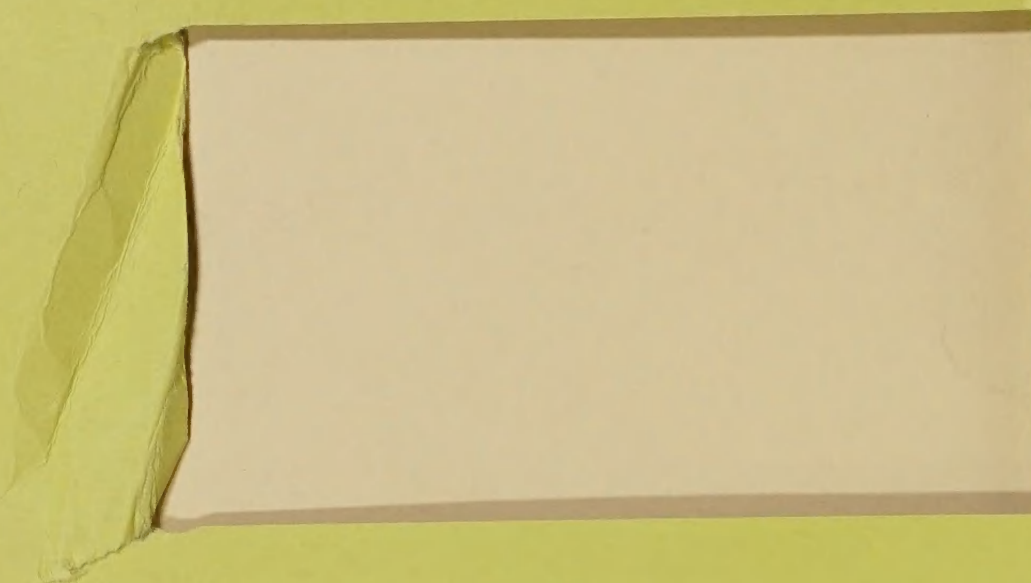


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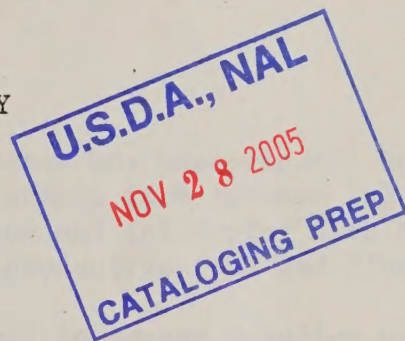




PUBLIC FOOD POLICY

BY

CHARLES E. HANRAHAN



This background paper has been prepared for the National Working Conference on Research to Meet U.S. and World Food Needs sponsored by the Agricultural Research Policy Advisory Committee which will be held July 9-11 in Kansas City, Missouri. It was prepared with the assistance of Sharon Webster, W. Scott Steele, and Robert Tontz of FDICD. The author appreciates the critical review given the paper by Robert Spitze and James Vermeer of CED; by Rex Daly and Kenneth Farrell (OA); and by Maurice L. Petersen, University of California at Davis and Ned Bayley, NAL. Raymond H. Coppock, University of California at Davis, edited the paper for inclusion in the Conference Report.





## PART I. SITUATION, POLICY AND CAPABILITIES

### B. PUBLIC FOOD POLICY

#### Introduction

Public agricultural policy in the United States has historically been concerned with (a) maintaining reasonable and stable farm incomes (b) increasing efficiency through research and education and (c) coping with the increasing agricultural output of a highly productive food and fiber sector.

Programs designed to support farm incomes and to manage supplies of farm commodities have been concentrated on the major crops--grains, oilseeds, cotton--which account for two-thirds of all harvested acreage; certain other crops--rice, peanuts, long-staple cotton, tobacco--also have a lengthy history of Federal support programs. Fruits and vegetables and specialty crops such as seeds have been largely excluded from such farm programs, although they have been affected by marketing orders and agreements. Among livestock products, dairy products are the major ones covered by price support programs.

Programs to bolster farm income, particularly high price supports, necessitated programs to curtail output by controlling the acreage under cultivation. At the same time, public investment in research and extension was developing and disseminating to farmers a highly productive output-increasing technology. In the past decade, acreage restrictions and high price supports have given way to market level supports, voluntary acreage withdrawals, and direct payments to support income.

With the recently changed conditions in agriculture resulting from unusual domestic and international demands on available supplies of farm products and the resulting rise in farm income, concern about the farm income problem has abated and programs to curtail output have been superseded by efforts to expand production. The issue of food security at home and abroad has become an important policy problem. Overseas food aid and development assistance are of growing concern.

Consumers, accustomed to relatively low food prices, reacted strongly to the rise in prices that occurred after the events of 1972 and are speaking out for policies that will guarantee them adequate, stable and nutritious supplies of food at reasonable prices. Congress has evinced a special concern for disadvantaged groups and has instituted a number of programs to provide food assistance to low-income consumers, children and other vulnerable groups. The desire for a clear and unpolluted environment has led to a number of policies and programs designed to protect and preserve our natural resources--but which also impact significantly on food supplies.





The policies which affect food supplies are numerous and complex. This paper is an attempt to provide a background on public agricultural, food, and research policies as they affect the capacity of the United States to meet its own and world food needs.

### Domestic Agricultural Policies

Historical Review--In 1862, Congress passed legislation that led to the Department of Agriculture and also, through the Morrill Act, set up colleges of agriculture in the various States and territories. In 1887, the Hatch Act established experiment stations in connection with the colleges. These legislative and policy developments led to support for agricultural research at both Federal and State levels, which has been augmented over the years. Nearly all of the agricultural colleges have emerged as State supported general universities, and continue today as a major thrust of the American university system in biological research and teaching. Passage of the Smith-Lever Act in 1914 set up Cooperative Extension, thus adding the third component of the agricultural teaching-research-extension system.

Prior to the 1930's, U.S. policy with respect to farm prices and incomes was--except for research and education--generally laissez-faire. With the passage of the Agricultural Adjustment Act in 1933, the major new thrust of U.S. farm policy became clear: to enhance the prices received by farmers for their products and to improve their income status relative to that of workers in non-farm sectors of the U.S. economy. The forms of intervention used to carry out these aims were price supports, acreage controls, direct payments, import quotas, and export subsidies.

Efforts to curb production were not entirely successful because the propensity to support prices often exceeded the willingness to impose parallel production controls. Government-owned stocks began to accumulate. In 1938, marketing controls were added in an effort to strengthen acreage controls. Although acreage restrictions and marketing quotas were in effect, output did not decline and yields per harvested acre began an upward trend.

A major reason for the upward trend in yields was another policy designed to increase agricultural output through programs of public investment in agricultural research, extension of new techniques, and, in some cases, subsidization of improved practices. Limits on the use of land led farmers to substitute other inputs and contributed to increased yields. To a large extent, the technology applied by farmers to increase their output was responsible for demands on Government to support farm income (1).

The unwanted surpluses of the thirties became a strategic military reserve for the U.S. and its allies during World War II. After the War, stocks



again accumulated as farm output, stimulated by relatively high price supports expanded faster than market demand.

The Korean War provided only a brief interruption in the continued growth of surplus stocks of grains and other commodities. Government price supports were maintained at high levels for major crops throughout the 1950's. During this period, efforts to limit output and to dispose of surpluses also were undertaken. In 1954, wheat marketing quotas were re-instated, and in 1956 the Congress passed the Soil Bank Act which permitted farmers to take productive land out of production in return for payment. The amount of land taken out of production was never very large, and after 1960 no new land was retired under the Soil Bank. In the face of the continuing rapid technological advance in agriculture, those programs had little impact on output.

At the same time that programs were being enacted to curtail output, efforts were being made to dispose of surpluses. Subsidies were used to facilitate exports to commercial markets. Under P.L. 480, passed in 1954, concessional sales of wheat, feed grains, and other commodities were made to developing countries. Humanitarian food assistance in the wake of natural disasters and other emergencies was also provided for.

By 1961, despite these efforts, feed grain stocks totaled nearly 85 million tons, and stocks of wheat amounted to more than 1.4 billion bushels. The cost of storing and maintaining stocks owned by the Commodity Credit Corporation was over a million dollars a day.

In the 1960's, the move toward gearing agricultural programs and policies to market price levels began (1). Supports on feed grains and cotton were set at levels at which export subsidies were not needed, and wheat export subsidies were the lowest in years. Farmers were offered payments to voluntarily withhold acreage from production. The losses in income from lowered price supports and acreage reductions were offset by direct payments to supplement producers' income.

Early in the 1960's, a policy of high price supports with tight supply controls was proposed for wheat. However, farmers made it clear that such controls were unwanted by rejecting marketing quotas in the wheat referendum of 1963.

Current Domestic Farm Policy--In the 1970's, U.S. farm policy continued its shift away from compulsory controls and high price supports. The Agricultural Act of 1970, an important milestone in U.S. farm policy reduced substantially the crop-by-crop acreage controls of previous years and replaced them with a general land diversion program. A farmer received cash payments for retiring his individual share of the land that needed to be taken out of production in order to balance supplies with market demand for a specified crop. Participation in the set-aside





program did not interfere with the farmer's freedom to choose the crops that would maximize income on his remaining land and those farmers not choosing to participate could produce at will. In addition, participation in the set-aside program made farmers eligible for price supports.

Present farm policy embodied in the Agriculture and Consumer Protection Act of 1973 is one more step in the shift away from the commodity programs which began in the 1930's. Mandatory acreage allotments, marketing quotas, and high price supports are no longer in effect for wheat, feed grains, and cotton although rice, peanuts, and long staple cotton continue to be covered by fairly rigid programs.

Current farm policy is based on a number of practices that are incorporated in the 1973 legislation (2). These approaches, which permit considerable flexibility to the Government in managing the farm economy have received broad support (12). Under the 1973 legislation, market prices for wheat, feed grains, and cotton are not supported at higher than market-clearing levels. Loan rates provide a floor to prices received by farmers, but are set at levels that should not build Government stockpiles very rapidly (12). Direct cash payments have replaced price supports as a means of providing income support to farmers.

A new feature in U.S. farm policy, the target price, is the instrument used to determine the amount of direct payments. If market prices fall below the target levels, farmers receive the difference between the two. Starting in 1976, target prices can be raised in accordance with rises in the cost of production to farmers. Under this system, farmers would receive payments in years of overproduction or shrinking demand, but in most years market prices could be relied upon to provide them with adequate income.

Dairying continues to be heavily supported and protected by Federal programs. State and Federal milk marketing orders establish a higher price for fluid milk than for milk used in processing and also restrict the movement of raw milk. Imports are usually limited to less than 2 percent of total consumption, and trade in dairy products has become a source of dispute in international trade negotiations. Dairy producers' welfare has come to depend on Federal regulation so that serious adjustment costs would be incurred if dairy programs were eliminated. In the long run, benefits to consumers could be substantial with lower prices for products, and greater reliance on imports, and if dairy producers received only returns afforded by the market place.

Grain Reserves--In 1972, the sharp reduction in world grain production, the large Soviet purchase of wheat and subsequent heavy buying by other nations to insure supplies of grain and soybeans led to a sharp reduction in stocks and a strong rise in prices. The United States disposed of most of its publicly owned grain stocks by the end of 1973.

With the present low level of stocks, it may be some time before they are rebuilt to adequate levels. Moreover, there is not only uncertainty as to





when stocks will be rebuilt, but there are differences of opinion on the levels that are necessary and the type of national or international grain reserve policies that are needed for the future.

While almost everyone seems to prefer larger stocks than now exist, there is strong reluctance to return to a situation with huge surpluses accumulated by governments. The specific U.S. position regarding reserves is still in the making, but in general the U.S. has endorsed the concept and need for reserves of a manageable size--to meet contingencies in the world. The U.S., however, favors a wider sharing of the burden of holding these reserves than prevailed in the past. There is also a feeling in the U.S. that these reserves, to the extent possible, should be held by the private sector. As a follow up to the recent World Food Conference, the U.S., with other major importing and exporting nations, will be working out the details of international grain reserves arrangements over the next few months.

Trade Policy--Agricultural trade makes a substantial positive contribution to the U.S. balance of payments. In 1972, when the deficit in the overall trade account was \$6.4 billion, agricultural products contributed a surplus of \$2.9 billion. In 1973, farm exports showed a positive balance of \$5.4 billion while the overall trade deficit was around \$3.5 billion. The importance of international trade to U.S. farmers is illustrated by the fact that over 25 percent of U.S. harvested acreage produces commodities for export. In addition to creating income for farmers, the movement of farm products through world channels of trade generates employment throughout the economy.

Trade policies and domestic agricultural policies are very closely related and in fact are mutually reinforcing. While domestic farm policies have been designed to raise or stabilize farm income, trade policies have been designed to protect domestic producers from competition by farmers abroad. When price supports are used to provide more than modest price stability, a policy of influencing international trade--exports, imports or both--is the consequence (6).

In fact, the U.S. has pursued policies that influence or control exports and imports. However, exports of U.S. agricultural commodities confront protective barriers abroad. Domestic price support and agricultural protection policies are common to industrially developed nations where farmers' incomes have lagged behind incomes of other workers in the economy. Support and protection for grains in the European community, for instance, is based on a system of administered prices under the Common Agricultural Policy. In Japan and in Eastern Europe, State trading agencies determine prices and purchase commodities from farmers and also maintain a large measure of control over imports.

Trade Liberalization--As domestic farm policies have moved the U.S. away from high price supports, trade policy has moved upward liberalizing trade in agricultural products. The majority of tariffs authorized in the 1930's



have been reduced by 50 percent or more, although high tariffs remain for some agricultural imports--dairy products, fresh and preserved fruits and vegetables, certain milled grain products, wines and leaf tobacco.

Import quotas are in effect for four commodities: Cotton, peanuts, dairy products, and sugar.\* With respect to meat products, which have been largely outside the scope of domestic farm programs, the Meat Import Act of 1964 authorizes the imposition of quotas on beef, veal, mutton, and goat meat. These were administratively suspended in 1973.

Export subsidies for wheat, feed grains and other commodities have been terminated, suspended or are being phased out, but under Section 32 of the Agricultural Adjustment Act and the legislation establishing the Commodity Credit Corporation, the U.S. could reintroduce export subsidies under certain circumstances.

Current U.S. foreign agricultural policy supports the goal of trade liberalization. This is not only because freer trade in agricultural products would facilitate more efficient allocation of resources worldwide but also because liberalized trade will permit increased exports of agricultural products for which the U.S. enjoys a comparative advantage--particularly wheat, feedgrains, and oilseeds. Domestic agricultural policies which maintain prices above or below world market levels have implications for resource allocation and trade. In the current round of Multilateral Trade Negotiations formally opened in Tokyo in September 1973, the United States is taking the position that border protection and export subsidies should be eliminated or reduced, but that governments should be free to carry on their own farm income programs. This situation calls for greater coordination among countries in the conduct of their domestic farm policies.

A major obstacle to liberalizing agricultural trade is the adjustments which must be made, particularly by domestic producers who in the absence of protection would not be able to compete with foreign producers. The Trade Act of 1974, which gives the executive broad authority in negotiating the reduction, elimination or harmonization of tariff and nontariff barriers to trade, also provides for relief and assistance to domestic producers who must make substantial adjustments in the face of increased imports of competing products.

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\*The U.S. Sugar Act expired at the end of 1974. Quotas on raw and confectioners sugar were assigned to foreign countries to reflect 38 percent of U.S. basic sugar requirements and 35 percent of growth in domestic sugar requirements. "A Presidential Proclamation (November 18, 1974) established a global quota of 7 million short tons (raw) per calendar year. This action maintains the tariff at a rate of .625 cents per pound on raw sugar, rather than a figure that would be triple that amount in the absence of quotas. Since the quota is higher than requirements, it will not create the pressure on the market that it would if it were restrictive" (12).





## Other Domestic Policies That Affect Farm Production

Most public policies in agriculture in the past have been designed to support farm income or to increase farm output. However, in recent years policies that affect agriculture have been adopted to protect other interests, e.g., health, soil conservation, food quality. Concern for a clean and unpolluted environment has led Congress and various agencies and departments to more closely examine the issues and to look for ways of increasing food production while accomplishing environmental goals as well.

Public policies which tend to impact on food supplies flow from Federal or State laws and corresponding judicial interpretations and administrative regulations and procedures. Policies that affect agricultural production include regulations governing land and water use, pollution and waste disposal; regulations, standards and licensing of farm products or agricultural inputs; food assistance programs; taxation, credit, subsidy and insurance policies; and policies relating to transportation of farm goods. Policies which impact on the cost of fuel, fertilizer, pesticides, insecticides and other chemicals also must be weighed.

Pesticides--Farmers have long used pesticides to control insect and pest populations that destroyed crops or rendered them unsuitable for marketing. Historically, restrictions concerning chemicals were to protect the farmer by assuring him of the quality and quantity of agricultural chemicals used as farm inputs such as pesticides, insecticides, herbicides, fertilizers and veterinary drugs. More recently policies and programs have been undertaken to protect consumer and environmental interests. Statutes give the Environmental Protection Agency (EPA) authority to classify chemicals for restricting their use, specifying labeling, and regulating the use of those which pass through interstate commerce. A partial or total ban can be placed on any chemical or other pesticide, providing the action does not cause undue risk to the public health or welfare.

A related policy which impacts on food production is the so-called "Delaney Clause" of the Food, Drug and Cosmetic Act which provides "That no additive shall be deemed safe if it is found to induce cancer when ingested by man or animal." The most well known drug in question is diethylstilbestrol (DES) a growth hormone, which has been used in feeder cattle to increase weight gain. Currently, the use of DES in cattle feeding is temporarily enjoined by court order, and it possibly will be banned ultimately.

Fertilizers--Laws have long provided the farmer with accurate identification of ingredients in the fertilizer he purchased and assured him of its quality. However, regulation of the use of fertilizer to prevent more rapid eutrification of lakes and even human health hazards caused by runoff and leaching of excess nitrogen fertilizer is more recent. Most phosphate





pollution comes from detergents and sewage with only 25 percent coming from agriculture. The National Academy of Sciences in a 1972 report called for increasing precautions on the use of the 7 million tons of nitrogen fertilizer used each year in agriculture (8).

Water and Air Pollution--Significant pollution occurs from farm animal waste particularly in areas where there are large concentrations of animals in a small area such as poultry and beef feedlots (13). Legislation and regulations in this area from both Federal and State levels have generated considerable controversy over the degree of compliance.

Pollution legislation dates from 1899, but farmers were exempted until 1971 when the Refuse Act of 1899 was revived by EPA and applied to farmers as well as others. This law called for a permit before discharging waste into a waterway.

In 1972, the Federal Water Pollution Control Act Amendments (PL 92-500) were enacted which called for the elimination of the discharge of pollutants into navigable waters by 1985 and improved water quality by 1983. EPA was authorized to continue the permit system under the National Pollutant Discharge Elimination System (NPDES).

The Clean Air Act of 1972 contains provisions which the courts have interpreted to mean that "clean air area should not be allowed to deteriorate significantly" (Ruckelshaus V. Sierra Club No. 72-08). The concept of "no significant deterioration" is a highly controversial one, with the States and agriculture generally favoring the doctrine and industry opposed. The dangers to agricultural production are set forth in a study of air pollution on damage to vegetation by the American Chemical Society in 1973 in which it is asserted that some crops cannot be grown in polluted air from urbanized areas and in others losses in growth rates and yields up to 50 percent are reported (11). USDA testified before a House Committee that estimates put the loss to agriculture from the effects of air pollution at \$500 million annually (5).

Labor Policies--Labor has long had a voice in public policy, particularly in industrial production. Seasonal and casual workers in agriculture are now exploring unionization and collective bargaining for higher wages, fringe benefits, and better living conditions. Considerations of social justice and equity have led to increased public support for the demands of hired farm workers. Consequently, changes in these policies can be expected and will impact on farm output through increased costs of production, the possible elimination of some marginal operations and even increased dependency on foreign imports in certain areas.

Land Policies--The availability of good agricultural land at reasonable costs may be an increasing constraint in the future as more and more potential farm land is taken for public and nonpublic uses. Federal and



State governments are moving to protect certain coastal areas, estuaries, flood plains, ecologically endangered land and various other land classifications--although some of these actions will protect farm lands. Highways, residential sites, shopping centers, industrial plants, and various other commercial and recreational uses eat up potential farm land. Increased yields per acre have had a partially offsetting effect so far. However, in the future pressures for agricultural production and the reduction of available land for farming expansion may become a significant policy issue.

Transportation Policies--Transportation and regulations concerning transport impact heavily on the agricultural sector, which accounts for 15 percent of the fuel used for total transportation. Significant savings, improved service, and reduced inefficiencies are possible if regulatory authorities, transport firms and labor unions cooperate.

Most of the regulations which impact on the movement of agricultural products derive from rulings by the Interstate Commerce Commission and individual States. These rulings cover competitive rate structures, traffic regulations and regulations on backhauling, routing and load size.

Energy Policies--While agricultural output has doubled since 1949, the energy it requires has quadrupled. In 1974, the farming sector worked 354 million acres, each acre averaging 22 gallons of petroleum fuel. Recognizing the increased demand for farm production and the fact that a reduced supply of energy could jeopardize higher yields, the Administration and Congress have asked the Federal Energy Administration to give special high priority to the food and fiber sector.

The Federal Power Commission's regulations governing interruptible contracts and future supplies of natural gas could impact on food production. About a third of the food industry's energy units come from this source. Natural gas also is the feed stock for nitrogen fertilizer so necessary to good farm yields. A recent FPC study projected dim prospects for the natural gas supply by 1990 and some meat processing firms were alerted to the need to secure alternative sources of fuel by 1978.

#### Domestic Food Policies

Government and private studies show that, despite the fact that U.S. has more and better food than virtually any other country, our total population is not especially well nourished. Both the Congress and the President commissioned studies into this area and several programs have evolved or expanded as a result. The consumer has become increasingly more aware and mobilized.

Since 1906 when Congress enacted legislation banning the sale of food that is "filthy, putrid, and unfit for human consumption," an enormous number





of laws intended to govern the quality of domestic food supplies and ensure its wholesomeness and safety have been enacted. U.S. food standards are probably the highest in the world.

However, in other areas of public policy on food, consumers increasingly have felt that their interests are not being properly represented and have demanded a stronger role in the decision-making process. Consumer groups are proliferating. Various departments and agencies, many for the first time, have offices that specifically represent the consumer. In 1973, the Department of Agriculture established the position of Special Assistant to the Secretary of Agriculture for Consumer Affairs.

Food and Farm Product Grades and Standards, and Food Labeling--Under the Agricultural Marketing Act of 1946 and related statutes, USDA issues, grades, and standards for some 300 food and farm products, and provides official grading services--often in cooperation with State and local officials--to those who wish to establish official certifications for products or who desire product control. Though useful to consumers, this is not primarily a consumer service, but rather a service to wholesalers who want to establish a uniform language about quality.

USDA grade standards for food are voluntary. However, since quality affects price, these grades establish value and are extensively used throughout the wholesale industry. USDA labels ensure the same quality throughout the country and define levels of quality for various foods.

Some standards are mandatory. The Federal Meat Inspection and Poultry Products Inspection Act allows USDA to set requirements for all products from meat and poultry, usually canned or frozen, and regulates all the labeling of products containing more than 2 percent meat.

Food and Drug Regulations--The most widely known U.S. consumer food policies are probably those designed to ensure wholesomeness and protect the population from health hazards. In this area the USDA cooperates with several other agencies, particularly the Food and Drug Administration (FDA). Most of these activities are authorized under the Federal Food, Drug, and Cosmetic Act of 1938 and its various amendments which provide that food must be pure and wholesome, safe to eat, and produced under sanitary conditions. FDA is empowered to enforce the regulations.

FDA's Bureau of Veterinary Medicine regulates drugs or other chemicals which might get into food-producing animals or into meat, milk or eggs. Human health hazard is the standard used. USDA cooperates by constantly checking and monitoring food to ensure that it does not have too high levels of chemical residues.

Food Labeling--Labeling has become increasingly important in an age of fabricated foods, highly processed products, synthetics and away-from-home





eating. Over 35 percent of all American meals are eaten away from home. If one counts food that is partially prepared, the heat-and-serve variety, the proportion of food that requires labeling is indeed significant (3).

The FDA applies three mandatory standards to such foods: quality, fill of container, and identity. If the product fails to measure up to the standards set by FDA, the label must carry the statement "Below Standard" and indicate which of the three categories has a deficiency. Since vendors do not like to place a product on the market with a "Below Standard in..." label, these rulings have encouraged producers to improve their product. Although USDA standards are not required, if they are used to misrepresent, FDA can prosecute under the Federal Food, Drug, and Cosmetic Act.

FDA and Nutrition Labeling--Nutrition labeling has been introduced to encourage producers to improve the contents of their packaged products and to aid consumers in analyzing products. Nutrition Quality Guidelines for several food products or meals have also been issued by FDA which aim at establishing a basic level of nutritional value for a certain food class.

The controversy over labeling a food product as "imitation" has had an interesting history. FDA rulings have called for the word "imitation" to appear on the label of products designed to replace another, more established product. The White House Conference on Food, Nutrition and Health recognized that such foods might be as nutritious or more so than the product they were intended to replace--and that real question should be safety and nutrition. FDA has proposed that the label "imitation" be placed on these items only when the nutritional quality is not equivalent.

Food Assistance Policies and Programs--Food to recipients of welfare programs began in the 1930's as a means of disposing of commodities accumulated as surpluses under the various farm programs of price support and surplus removal. A Food Distribution Program was established under provisions of the Agricultural Act of 1949. This authorized the USDA to donate commodities previously acquired by the Commodity Credit Corporation to the States for welfare programs--provided that the market prices were not endangered.

In fiscal 1974 the Federal food commodity program was reduced in size and amount as more States and localities replaced it with the food stamp program as a means of providing for their needy citizens. During that year, Federal costs of the commodity program were \$189.3 million, a decline of 21 percent from the previous year.

The food stamp program comprises the largest portion of the USDA budget currently, and is the fastest growing welfare benefit program. This program, initiated on a pilot basis in 1961, was enacted into law in the Food Stamp Act of 1964. It is designed to permit families to buy the food required to achieve an adequate level of nutrition. Program participation



increased from 50,000 in 1961 to 3 million in 1969 to more than 17.1 million in February 1975. This dramatic increase was a result of several factors--phasing out of the food distribution program, the rising unemployment rate, and a mandate to extend the program and provide information about eligibility nationwide.

The program has been the most popular form of food support with participants. Congress has stipulated that the Food Stamp Program should be available to all needy citizens and that food stamp benefits should be reappraised twice each year to keep up with food price changes.

Recipients received \$4.7 billion worth of food stamps for \$2 billion in 1974, which was up 27 percent over the previous year. The average benefit was \$17.54 per person per month, which amounted to a food bonus of \$2.7 billion in food benefits--a 20 percent increase over 1973.

Congress has established several child feeding programs to ensure that children receive some nutritionally sound food on a regular basis. This is accomplished through providing cash and commodities assistance to State and local authorities who set up and administer food services for children in public or nonprofit private schools, child care centers, settlement houses, summer day camp and recreation centers. These programs have reported such benefits as a decrease of school dropouts, improvements in learning ability, better health and increased emotional stability.

In fiscal 1974 some 4.4 billion meals were served, of which 4 billion represented the National School Lunch Program, the largest of the child feeding programs. Of the total, 1.9 billion were free or reduced price for needy children. The value of the total food used in the cooperative Federal-State programs was \$1.9 billion of which 17 percent was donated commodities. The number of needy children receiving free or reduced price meals in 1974 was 9.4 million--nearly three times the number in 1968.

#### Agricultural Research Policies

A major objective of U.S. public policy toward agriculture has been to increase agricultural efficiency and/or output. This has been accomplished largely through public investment in agricultural research and extension of new techniques. Public policy to increase agricultural output through a program of mission-oriented research appears somewhat contradictory in light of public policies to raise and stabilize farm income by limiting output through acreage diversion programs. The record of the past 40 years shows that policies in support of efficiency and output-increasing research have been more successful than policies to restrict output by controlling the area in production.

Although the Land-Grant Universities were established under the terms of the Morrill Act of 1862, the public policy in support of agricultural





research had its beginning with the Hatch Act of 1887 which created the State experiment stations. The Hatch Act with its amendments, supplements, and annual appropriations of grant funds, is the foundation of agricultural research in the U.S. It provided:

"That in order to aid in acquiring the diffusing among the people of the United States useful and practical information on subjects connected with agriculture and to promote scientific investigation and experiment respecting principles and applications of agricultural science, there shall be established, under direction of the college or colleges or agricultural department of colleges in each state or territory established or which may hereafter be established... a department to be known... as an agricultural experiment station."

The Hatch Act, supplemented by the Adams Act of 1906, the Purnell Act of 1925, the Bankhead-Jones Act of 1935--which provided for matching funds by the States--and other Federal legislation, resulted in the formation of at least one agricultural experiment station in each State. As time went on, State and private sources supplemented Federal and State matching funds. In 1955, the several acts were consolidated by the Congress into a revised Hatch Act (7).

U.S. public policy in support of research and education in the technology and organization of farming has been termed the single most effective policy element responsible for technical and economic development in agriculture during this century (4). Public investment in this research has been substantial, but the returns have far outweighed the costs.

A policy of public investment in research to develop new technical knowledge is virtually unique to agriculture, since in most other economic sectors private industries conduct their own research. As a result, society in general and farmers and consumers of farm products in particular have received the benefits which otherwise would have accrued to private industries.

An important aspect of public agricultural research policy is Federal-State cooperation. Research on problems confined within the borders of a State is primarily the responsibility of the experiment station in that State. Research on regional or national problems may be conducted separately by the USDA and individual experiment stations, or by cooperative effort--depending on the specific problems involved and the availability of specialized staff and facilities. In practice, research carried out by USDA and the State experiment stations is often interrelated and intermeshed.





Agencies other than USDA and the land-grant universities also are involved in food and agricultural research. These include the Department of Commerce, and the National Oceanographic and Atmospheric Administration (NOAA), which carried out a program on ocean fisheries. The Food and Drug Administration is mainly concerned with the problems of food contamination. The National Science Foundation finances food research mainly in the biological sciences, some of it through the USDA-State experiment station system.

Important agricultural research is also carried out by the private sector, much of it in cooperation with USDA and the universities. Examples include the development of agricultural chemicals and machines designed for specialized operations. The Tennessee Valley Authority has developed cheaper and more effective fertilizers, as have many private industrial laboratories. Research in both natural and social sciences by the non-land grant universities also has made important contributions to solving agricultural problems.

U.S. public policy on food and agricultural research also has an international dimension through AID and other agencies and organizations. This includes support for CGIAR, mentioned earlier. In addition, some of the accumulated credits in foreign currency under P.L. 480 have been used to support agricultural research of mutual interest to the U.S. and the country holding these credits. These cooperative projects have involved 32 nations.

Concern about the world food situation, with all its ramifications domestically and internationally, has rekindled interest in agricultural research. Uncertainty about food supplies for both the short and long run has led to proposals to increase the allocation of research resources to agriculture. But that renewal of interest has yet to be translated into strengthened public research policy or greater financial support. In recognition of the critical world food problem, the World Food Conference put increasing agricultural production, in both developed and developing countries, at the top of its agenda. The impact of the recommendations made by the Rome Conference on policy and programs of agricultural research must await the outcome of both domestic deliberations and international consultations set in motion after the Conference.

#### Policies on the World Food Problem

U.S. international food policies have been carried out largely as part of our foreign aid program. There are two major programs: food assistance under P.L. 480 and agricultural development assistance carried out by the Agency for International Development.

Food Aid--Large quantities of food have been supplied to foreign countries under the Agricultural Trade Development and Assistance Act of 1954, commonly known as P.L. 480 or "Food for Peace." P.L. 480 is administered



by the USDA in cooperation with AID, other Federal agencies and private charitable organizations.

P.L. 480 presently consists of two food aid activities. Under Title I of the Act, the U.S. makes agricultural products available to foreign governments on a long-term dollar credit basis or in exchange for convertible local currency. Currently, most Title I sales are for dollars but throughout the 50's and 60's commodities were largely paid for in local currency under highly concessional terms.

The donations program under Title II provides emergency food relief in the event of natural or other disasters and also support for humanitarian and development activities. Food is channeled through U.S. bilateral programs, voluntary agencies and international organizations such as the United Nations' World Food Program.

Since 1954, the U.S. has provided \$26 billion in food aid under P.L. 480. This is in addition to the Marshall Plan following World War II, the Point Four program, the various AID programs, and assistance from universities and private foundations. The voluntary agencies have had an important role--both on their own and with commodities provided under P.L. 480. In the period 1965 to 1973, the U.S. provided over four-fifths of the food aid from developed to developing countries (10).

Beginning in fiscal 1973, however, U.S. food aid policy has operated under changed conditions. The surplus situation abruptly came to an end in 1972 when unfavorable weather in a number of major producing and importing regions--the Soviet Union, India, Australia, Sahelian Africa, and South-east Asia--sharply reduced world agricultural production. Subsequent demands on supplies depleted world grain stocks to extremely low levels. In 1974, the lowest level of P.L. 480 exports in 20 years was shipped--\$850 million in commodity costs and a volume of 3.3 million tons. In 1975, total commodity exports are expected to be more than \$1.4 billion in value and more than 5.6 million tons. About \$500 million of this will be in the form of government-to-government donations or donations through voluntary agencies.

The tight supply-demand conditions of 1972-74 demonstrated the dependence of the P.L. 480 program on the existence of surpluses. This development highlighted the conflict that exists between our policy to expand commercial exports of agricultural products and our policy to meet food needs of developing countries.

In addition to having provided large quantities of food to meet the emergency food or balance of payments needs of many countries, the P.L. 480 program has been a convenient means of disposing of surplus supplies of agricultural products which resulted from a policy of maintaining high price supports. As a consequence it helped to reduce the costs to taxpayers of storing large quantities of grains. It also served to increase





the demand for commercial exports as recipient countries became able to purchase additional U.S. farm products at market prices.

With the tight supply situation that existed in 1972-74 and the changes in domestic farm policy toward a more market-oriented agriculture, a clearer realization is emerging of the trade-offs among (a) satisfying the needs of domestic consumers, (b) meeting the requirements of food deficient countries, and (c) meeting export demands of paying customers. A major issue is the willingness of the U.S. and other developed countries--exporters and importers alike--to commit resources to food needs of developing countries in periods of shortage as well as surplus. International consultations following the World Food Conference will attempt to work out solutions to these and related problems.

Agricultural Development Aid--The second major element in U.S. international food policy is the technical assistance program administered by AID. Technical assistance, including agricultural programs, began in 1949 under the Point IV program. Programs of development grants and loans were later added. In 1961, Congress established AID to consolidate and administer the various activities and agencies that had developed since the end of World War II.

In recent years, U.S. technical assistance programs have emphasized agricultural development. In the Foreign Assistance Act of 1973, Congress called for a revision of U.S. foreign aid policies--a reordering to give priority to helping the "poorest majority" in a developing nation. As a result of this legislation, a larger share of the dwindling foreign aid budget has shifted toward assisting agricultural development, with emphasis on helping small farmers and the rural poor.

U.S. agricultural development assistance has emphasized both the transfer of existing technology to developing countries and the development of new technologies. The limitations on the transfer of technology were not adequately recognized in earlier technical assistance programs. Also, undue emphasis was placed on improving farm extension services in the absence of usable information and technology (2). Realization of these problems led to the creation of the Consultative Group on International Agricultural Research (CGIAR), a consortium with a membership of 30 governmental and other donor agencies under IBRD leadership. CGIAR manages the allocation of resources to the international research institutes such as those which developed high-yielding varieties of wheat and rice.

The annual cost to the U.S. foreign aid is slightly more than 1 percent of the Federal budget. Of this amount, about one-third is devoted to development, including agricultural assistance. Among the 17 members of the Development Assistance Committee of the OECD, the U.S. stands 14th in the amount of foreign aid provided in relation to Gross National Product (GNP). The U.S. figure is less than one-quarter of 1 percent of GNP.



World Food Conference--The World Food Conference of 1974 was convened by the United Nations to develop a worldwide strategy for dealing with the medium- and long-range issues of food production and availability. The Conference adopted a five-point program of proposed worldwide action:

1. Increasing production in food exporting countries
2. Accelerating production in developing countries
3. Improving the means of food distribution and financing
4. Enhancing food quality
5. Ensuring security against food emergencies

The Conference also called on all countries to give a high priority to agricultural and fisheries development, including internal food production and supporting services; external assistance to developing countries; and reduction of waste and crop losses. The Conference recognized the relationship of overall rural development to adequate food supplies and called for agrarian reforms, when appropriate; for the development of cooperative organizations of farmers and rural workers; and for increased education of rural people. The resolutions of the Conference stressed the need for increased and coordinated international efforts to improve fertilizer and pesticide availability. They also recommended improvement of food consumption patterns, the intensification of crop production, better water management, and more seed production. They called upon all governments to promote a steady expansion and liberalization of world trade.

The Conference recommended the establishment of an International Fund for Agricultural Development. It asked for the development of a global early warning system to furnish all countries with current and timely information on crop and food situations; and for operational and other practical arrangements for an international undertaking on world food security.

The Conference also recognized that the efforts of rural women in the developing world account for at least 50 percent of food production and that women everywhere play a major role in purchase and preparation of food. Therefore, all governments were requested to involve women fully in the decision-making machinery for food production and nutrition policies.

The Conference "urged all governments to evaluate the scope and organization of their national agricultural research... programs and their linkages with universities, international and regional institutions, and agro-industry research efforts, with a view to taking all necessary measures... to strengthen national programs to cover priority areas of food and agricultural production more adequately, including inter alia environmental and socio-economic conditions." (17) The recommendation called for research on a regional basis if possible to develop coastal fisheries and marine and inland aquaculture to the fullest.





World Population Policies--Critical to the success of any effort to meet food needs of the world are the government and societal policies--explicit and implicit--which affect population growth. Even though the annual increase in the world population has leveled off to a little under 2 percent during the past 15 years, the present population is nearly double what it was in 1950. Of primary importance to the food problem is the difference in rate of population growth between the developed and the developing countries. Current growth in the developed countries is only 0.9 percent annually, but in the developing countries it is more than 2.5 percent. Furthermore, the developing countries already contain more than 70 percent of the world's population (14).

Proposals for resolving the problems of population growth in all countries are confronted with issues of domestic and international politics, academic theories, ethical principles and religious and ideological doctrines. These issues are based as much, and possibly more, on perception than fact. The debate ensuing from these issues has led to considerable polarization of political and ideological points of view (15). Nevertheless, the World Population Conference of 1974 adopted a World Population Plan of Action which indicated an "unstated but clearly implicit...outlook for generally declining fertility levels, followed by a drop in the overall population growth rate, leading to an ultimate stabilization resulting from deliberate governmental policy and conscious human choice." (16)

The World Food Conference also adopted a resolution that "calls on all governments and on people everywhere not only to make every possible effort to grow and equitably distribute sufficient food and income so that all human beings may have an adequate diet--a short range goal which priority and the best techniques might make possible--but also to support, for a longer-term solution, rational population policies ensuring to couples the right to determine the number and spacing of births, freely and responsibly in accordance with national needs within the context of an overall development strategy." (17)

These policies, arrived at with difficulty and after debate, recognize that the population problem is not uniform throughout the world and that no one population policy is appropriate for all countries. They are built on the strongly held value that each human has the right to determine his or her own fertility. They consider population programs as a necessary but not sufficient part of economic and social development. They emphasize the need for policies that vigorously promote efforts not only on population control but also on development, including food production.



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